

Message Text

UNCLASSIFIED

PAGE 01 LONDON 07002 01 OF 02 152145 Z

70

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 IGA-02 PA-03 PRS-01 USIA-12 AGR-20

RSR-01 /189 W

----- 103315

R 151841 Z JUN 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1954

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS SECTION 1 OF 2 LONDON 07002

DEPARTMENT PASS TREASURY, COMMERCE & FRB.

E. O. 11652: N/ A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS: WEEK ENDING JUNE 15

BEGIN SUMMARY: GOLD TRADE AT BETWEEN \$116.50 AND \$117.75 AN
OUNCE THIS WEEK, DOWN FROM LAST WEEK' S HIGH OF \$126. STERLING
WAS ALSO DOWN SLIGHTLY, CLOSING AT \$2.5774-1/2 ON THURSDAY,
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 07002 01 OF 02 152145 Z

THIS WEEK' S HIGH. THE U. K. RECORDED A VISIBLE TRADE DEFICIT OF 209 MILLION POUNDS (S. A.) FOR MAY. THE BANK OF ENGLAND, IN ITS LATEST QUARTERLY REPORT, WARNED THAT THE GOVERNMENT WILL HAVE TO TAKE PROMPT ACTION TO RESTRAIN DEMAND WHEN THE ECONOMY SEEMS TO BE APPROACHING CAPACITY LIMITATION. NATIONAL WESTMINSTER BANK HAS CUT ITS BASE LENDING RATE TO 8 PER CENT. WHOLESALE PRICES ROSE BY 1 PER CENT IN MAY, THE FIRST MONTH OF THE U. K' S PHASE II. THE NEW DIRECTOR- GENERAL OF THE NATIONAL ECONOMIC DEVELOPMENT OFFICE (NEDO) WILL BE MR. RONNIE MCINTOSH. END SUMMARY.

1. THE PRICE OF GOLD BASICALLY CONTINUED TO MOVE DOWNWARD, FOLLOWING LAST WEEK' S PATTERN. GOLD FELL TO \$115.75 ON WEDNESDAY, JUNE 13, BUT ROSE \$2 ON THURSDAY, JUNE 14, IN REACTION TO DOUBTS OF THE EFFECTIVENESS OF PRESIDENT NIXON' S NEW CONTROLS AND CONTINUED WATERGATE REVELATIONS. THE POUND TRADED BETWEEN \$2.5725 (JUNE 11) AND \$2.5774-1/2 (JUNE 14) THIS WEEK, WITH THE CLOSE ON THURSDAY UP 44-1/2 POINTS ON LAST THURSDAY' S CLOSE.

2. THE U. K. RECORDED A VISIBLE TRADE DEFICIT OF 209 MILLION POUNDS (S. A.) FOR MAY WITH EXPORTS OF 910 MILLION POUNDS (S. A., F. O. B., B/ P BASIS) AND RECORD IMPORTS OF 1119 MILLION POUNDS (S. A., F. O. B., B/ P BASIS). WITH AN INVISIBLES BALANCE ESTIMATED AT 58 MILLION POUNDS, THE CURRENT ACCOUNT WAS IN DEFICIT BY 151 MILLION POUNDS. THIS COMPARES TO A CURRENT ACCOUNT SURPLUS OF 9 MILLION POUNDS IN APRIL . (FOR DETAILS SEE LONDON 6895.)

3. IN ITS JUNE BULLETIN, THE BANK OF ENGLAND STATES THAT EXPANSION SHOULD CONTINUE FOR SOME TIME WITHOUT " OVERHEATING", BUT ITS EXPRESSES SOME CONCERN ABOUT THE CAPACITY SITUATION AND IMPLIES THAT CONSTRAINTS MAY BE EXPECTED TO APPEAR AT SOME STAGE. ON INTERNATIONAL MONETARY MATTERS, THE BANK STATES THAT THE EXPERIENCE, SO FAR, WITH FLOATING RATES " SUGGESTS THAT THEY ARE NOT SO VULNERABLE TO CRISES OF CONFIDENCE AS THE PREVIOUS SYSTEM HAD BECOME". THE BANK SINGLES OUT AS " AN ENORMOUS PROBLEM FOR INTERNATIONAL MONETARY REFORM", THE " GREAT AND RAPIDLY GROWING WEIGHT OF LIQUID FUNDS WHICH CAN NOWADAYS BE MOVED AT SPEED BETWEEN ONE INTERNATIONAL MARKET AND ANOTHER." (FOR DETAILS SEE LONDON A-792).

4. NATIONAL WESTMINSTER BANK, ONE OF THE TOP CLEARING BANKS,
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 07002 01 OF 02 152145 Z

TOOK THE FINANCIAL COMMUNITY BY SURPRISE BY LOWERING ITS BASE LENDING RATE BY 1/2 PERCENT TO 8 PERCENT ON THURSDAY, JUNE 14. THIS IS THE THIRD CUT IN THE BASE LENDING RATE SINCE EARLY APRIL. THIS REDUCTION MEANS THAT THE COST OF LOANS TO NATIONAL- WESTMINSTER' S " BLUE- CHIP" INDUSTRIAL AND COMMERCIAL BORROWERS WILL BE REDUCED TO 9 PERCENT, WHILE OTHER BORROWERS WILL BE PAYING UP TO 12-1/2 OR 13 PERCENT FOR OVERDRAFTS. OTHER MAJOR

BANKS HAVE NOT YET FOLLOWED NAT- WEST, BUT THEY WILL PROBABLY
BE FORCED TO FALL INTO LINE BY THE RISK OF LOSING LENDING
BUSINESS. NAT- WEST SAID IT MOVED THE RATE IN ORDER TO PASS
ON TO CUSTOMERS A FURTHER FALL IN THE COST OF FUNDS IN THE CITY
MONEY MARKETS.

UNCLASSIFIED

NNNNMAFVVZCZ

ADP000

UNCLASSIFIED

PAGE 01 LONDON 07002 02 OF 02 152148 Z

70

ACTION EUR-25

INFO OCT-01 EA-11 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 IGA-02 PA-03 PRS-01 USIA-12 AGR-20

RSR-01 /189 W

----- 103405

R 151841 Z JUN 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1955

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS SECTION 2 OF 2 LONDON 07002

5. WHOLESALE PRICES FOR MANUFACTURED GOODS ROSE 1 PERCENT
IN MAY, THE FIRST MONTH OF THE UK' S PHASE II. THE INDEX OF
DOMESTIC OUTPUT PRICES ROSE FROM 118.8 IN APRIL TO 120 IN
MAY (1970-100). THE DEPARTMENT OF TRADE AND INDUSTRY NOTES

THAT THE INCREASE MAINLY REFLECTS THE FEEDING THROUGH INTO WHOLESALE PRICES SOME OF THE MATERIALS PRICE INCREASES HELD BACK IN PHASE I.

6. MR. RONNIE MCINTOSH, CURRENTLY HEAD OF THE PRICES AND UNCLASSIFIED
UNCLASSIFIED

PAGE 02 LONDON 07002 02 OF 02 152148 Z

INCOMES POLICY SECTION OF THE TREASURY, IS TO BE THE NEW DIRECTOR- GENERAL OF THE NATIONAL ECONOMIC DEVELOPMENT OFFICE. HE IS REPLACING SIR FRANK FIGGURES WHO HAS BEEN CHAIRMAN OF THE PAY BOARD SINCE THE BEGINNING OF APRIL. MR. MCINTOSH, WHO IS 53, JOINED THE TREASURY FROM THE DEPARTMENT OF EMPLOYMENT LAST DECEMBER, AND IS A DEPUTY SECRETARY IN THE NATIONAL ECONOMY GROUP AT THE TREASURY. HE WAS CLOSELY ASSOCIATED WITH THE TRIPARTITE TALKS OVER PRICES AND INCOMES WHICH TOOK PLACE LAST YEAR. HE HAS HAD BROAD EXPERIENCE IN ECONOMIC AFFAIRS AND WITH GOVERNMENT- INDUSTRY RELATIONS.

7. THE DISCOUNT ON STERLING WIDENED SHARPLY ON WEDNESDAY, JUNE 13, BUT BARROWED ON THURSDAY, JUNE 14.

	6/7	6/14	CHANGE
1 MONTH	0.30-1/2	0.22-1/2	DOWN 0.08
3 MONTHS	0.95-1/2	0.90-1/2	DOWN 0.05
6 MONTHS	1.95-1/2	1.91-1/2	DOWN 0.04

(ALL FIGURES IN CENTS)

8. LOCAL AUTHORITY DEPOSIT RATES MOVED DOWN OVER THE WEEK.

	6/7	6/14	CHANGE
1			
1 MONTH	9-3/16	8-7/16	DOWN 3/4
3 MONTHS	9-3/8	8-7/8	DOWN 1/2
6 MONTHS	9-5/16	9-1/8	DOWN 3/16

9 EURODOLLARS ROSE SLIGHTLY AT MID- WEEK BUT WERE BACK AT LAST WEEK' S LEVELS ON JUNE 14.

	6/17	6/14	CHANGE
1 MONTH	8-3/4	8-3/4	UNCHANGED
3 MONTHS	8-3/4	8-3/4	UNCHANGED
6 MONTHS	8-3/4	8-3/4	UNCHANGED

10. GOLD CLOSED AT \$117.75 ON THURSDAY, DOWN \$1.00 FROM LAST THURSDAY' S CLOSE.

1. THE MINIMUM LENDING RATE REMAINED AT 7-3/4 PER CENT. ANNENBERG

UNCLASSIFIED

NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON07002
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730619/aaaajbgz.tel
Line Count: 222
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2001 by maustmc>; APPROVED <20-Aug-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980209
Subject: ECONOMIC DEVELOPMENTS: WEEK ENDING JUNE 15
TAGS: ECON, UK
To: BERN
BONN
BRUSSELS
COPENHAGEN
DUBLIN
EB
EC BRUSSELS

LUXEMBOURG
SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005